

Message Text

LIMITED OFFICIAL USE

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 INT-05 COME-00 SP-02 USIA-06
AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01
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FM AMEMBASSY TEHRAN
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LIMITED OFFICIAL USE TEHRAN 0903

EO 11652: N/A
TAGS: BTRA, IR
SUBJ: VISIT OF PROCTER AND GAMBLE OFFICIALS

REF: TEHRAN 8724 AND PREVIOUS

1. AT REQUEST OF R.G. PEARCE, LOCAL PROCTER AND GAMBLE
REP, EMBASSY INTERVENED TO ARRANGE APPOINTMENT FOR PROCTER
AND GAMBLE VICE PRESIDENT KINGSTON FLETCHER WITH MINISTER
OF INDUSTRIES AND MINES NAJMABADI. REASON FOR MEETING WAS
P&G DESIRE (1) TO MAINTAIN 49 PERCENT OWNERSHIP OF ITS
IRANIAN JOINT VENTURE AND (2) TO EXPAND CAPACITY PRESENT
PLANT LOCATED IN TEHRAN AREA AT KARAJ. S.A. SHERIF, WHO
WAS LAST MINUTE SUBSTITUTION FOR FLETCHER, ALSO MET WITH
CHARGE AND COMMATT.

2. ALTHOUGH MEETING WAS RELUCTANTLY AGREED TO BY MINISTER
(AND UNDERWENT THREE SHIFTS IN TIME, ONE CANCELLATION),
NAJMABADI SPENT HOUR AND A HALF LISTENING AND, IN TURN
RESPONDING, TO SHERIF'S WELL-REASONED ARGUMENTATION ON
BOTH QUESTIONS. TENOR OF DISCUSSION WAS CORDIAL BUT
MINISTER TOOK FIRM STAND ON BOTH POINTS.
MAJMABADI IN RESPONDING TO P&G'S REQUEST FOR
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"ADVICE," OFFERED GOGENT AND EQUALLY WELL-REASONED
RATIONALE FOR NOT ENTERTAINING P&G PROPOSALS,
INDICATING THAT IF P&G DID NOT FEEL ABLE TO COMPLY
WITH GOI POLICY AND FELT CONSTRAINED TO DISINVEST,
HE "WOULD BE EXTREMELY SORRY BUT WOULD NOT WEEP."

3. NAJMABADI DID NOT SPEND TOO MUCH TIME ON EQUITY

POINT BUT DEVELOPED AT SOME LENGTH POSITION ON NEED TO HALT INDUSTRIAL EXPANSION WITHIN TEHRAN, CITING TRAFFIC, LABOR, POLLUTION, ETC. HE INDICATED THAT GOI POLICY AND NATURAL EVOLUTION WOULD BE IN THE DIRECTION OF ENCOURAGING OLD AND NEW INDUSTRIAL GROWTH OUTSIDE OF TEHRAN, POINTING TO PROBABILITY OF HIGHER POWER, WATER, LABOR AND TRANSPORTATION COSTS THAT WOULD OFFSET INCREASED INVESTMENT COSTS OF LOCATION OR RELOCATION ELSEWHERE.

4. MINISTER CONCLUDED BY STATING THAT AT P&G'S REQUEST FOR "ADVICE," HE HAD GIVEN HIS OWN VIEWS, WHICH COULD POSSIBLY (IF IMPROBABLY) BE OVERRULED BY COUNCIL OF MINISTERS. IF P&G NOW DESIRED TO MAKE A FORMAL APPLICATION ON EITHER OR BOTH QUESTIONS, HE OFFERED TO ENSURE THAT PROPOSAL REACHES COUNCIL OF MINISTERS AND RECEIVED FAIR HEARING.

5. IN REPLY TO SPECIFIC QUERIES AT CONCLUSION OF MEETING, NAJMABADI REAFFIRMED THAT MANAGEMENT CONTROL OF ENTERPRISES FORCED TO DIVEST 49 PERCENT OF SHARES WOULD REMAIN IN HANDS OF ORIGINAL OWNERS AND THAT CONSIDERATION WOULD BE GIVEN TO CONTINUING P&G'S EXISTING TECHNICAL ASSISTANCE FEE ARRANGEMENT FOLLOWING DIVESTITURE, ALTHOUGH PROBABLY AT A LOWER RATE THAN THE CURRENT 3 PERCENT.

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